



Michigan League FOR Human Services

TESTIMONY ON HOUSE BILL 4166
Senate Committee on Banking and Financial Services
June 24, 2009

Good morning. My name is Peter Ruark and I am a Planning and Research Associate for the Michigan League for Human Services. The League is a state-level policy organization focused on the needs of low-income households in Michigan. I would like to thank you for the opportunity to testify on behalf of the League in support of House Bills 4166 and 4607, that establish disclosure rules and right of rescission for refund anticipation loans.

It is important that filers fully understand the fees and costs involved in receiving a refund anticipation loan. These bills ensure that the costs of such loans are made explicit to filers, allow filers who have agreed to such loans to rescind the agreement before the close of the following business day, and prohibit requiring a consumer to take out a refund anticipation loan in order to get his or her tax return completed.

We are particularly concerned about the high costs of the loans because we are strong supporters of the state and federal Earned Income Tax Credits. These tax credits are refundable credits available to low- and moderate-income married or single workers, with or without children, who meet the income requirements. The amount of the credit depends on a worker's earnings, whether the worker is single or married filing jointly, and the number of children in the household.

Last year at tax time (Tax Year 2007), more than 700,000 Michigan workers claimed a total of more than \$1.4 billion in tax credits through the federal earned income credit. The tax filing season that just ended is the first in which low-income workers were able to file for the new Michigan earned income credit, based on ten percent of the federal credit. These credits are an investment in family well-being. They reward work and strengthen local economies, because workers tend to spend a large part of their refunds locally.

Unfortunately, many Michigan workers receiving the earned income credit forfeit a large part of their refund by taking out refund anticipation loans from commercial tax preparers. Filers who claim the earned income credit and take out a refund anticipation loan often pay 15 to 30 percent of their refund for tax preparation and loan fees. The IRS reports that for Tax Year 2005, more than a quarter of Michigan workers claiming the earned income credit paid for refund anticipation loans, and the amount of refund money lost to these loans totaled more than \$87.3 million. This money that the federal government invested in workers is instead going into the pockets of commercial tax preparers, many of whom are headquartered outside of Michigan. Enactment of these bills may help more earned income credit dollars, both state and federal, go to the low- and middle-income families and individuals they are intended to help.

In summary, the Michigan League for Human Services supports HB 4166 and HB 4607 because we believe that low-income working families should know exactly what kind of financial arrangement they are getting into when they sign for a refund anticipation loan. I have provided each of you a table showing the number of earned income credit filers in your district, as well as the number of refund anticipation loans. Thank you for allowing me to testify today.

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EITC and RAL Returns by Michigan Senate District, Tax Year 2005

District	Senator	Total Returns	EITC Returns		EITC Amount		Total RAL	EITC RAL	
		Number	Number	Percent of Total Returns	Amount to District	Average	Number	Number	Percent of EITC Returns
1	Sen. Hansen Clarke	68,260	26,900	39.4%	\$61,299,651	\$2,279	14,946	10,905	40.5%
2	Sen. Martha Scott	81,147	25,546	31.5%	\$59,241,500	\$2,319	13,649	9,948	38.9%
3	Sen. Irma Clarke-Coleman	89,225	25,319	28.4%	\$56,430,220	\$2,229	12,014	8,195	32.4%
4	Sen. Buzz Thomas	70,143	26,671	38.0%	\$60,055,536	\$2,252	15,347	10,993	41.2%
5	Sen. Tupac Hunter	88,959	25,010	28.1%	\$53,832,886	\$2,152	14,547	9,688	38.7%
6	Sen. Glen Anderson	128,398	13,005	10.1%	\$21,194,082	\$1,630	6,578	2,921	22.5%
7	Sen. Bruce Patterson	141,990	11,229	7.9%	\$18,656,044	\$1,661	5,861	2,555	22.8%
8	Sen. Ray Basham	123,250	18,348	14.9%	\$32,670,403	\$1,781	10,556	5,193	28.3%
9	Sen. Dennis Olshove	123,364	15,371	12.5%	\$26,638,012	\$1,733	7,145	3,559	23.2%
10	Sen. Michael Switalski	135,609	15,366	11.3%	\$26,675,607	\$1,736	5,738	2,732	17.8%
11	Sen. Alan Sanborn	139,888	11,412	8.2%	\$18,750,392	\$1,643	4,590	2,045	17.9%
12	Sen. Mike Bishop	125,457	14,201	11.3%	\$25,945,395	\$1,827	7,170	4,249	29.9%
13	Sen. John Pappageorge	132,478	7,733	5.8%	\$10,570,548	\$1,367	2,188	853	11.0%
14	Sen. Gilda Jacobs	127,024	14,712	11.6%	\$25,019,623	\$1,701	7,660	3,670	24.9%
15	Sen. Nancy Cassis	138,689	9,239	6.7%	\$14,058,389	\$1,522	3,665	1,492	16.1%
16	Sen. Cameron Brown	110,821	16,837	15.2%	\$29,699,636	\$1,764	7,839	4,397	26.1%
17	Sen. Randy Richardville	119,434	13,266	11.1%	\$22,991,154	\$1,733	6,539	3,327	25.1%
18	Sen. Liz Brafer	117,111	11,317	9.7%	\$18,314,391	\$1,618	4,909	2,821	24.9%
19	Sen. Mark Schauer	109,178	18,652	17.1%	\$33,859,224	\$1,815	9,132	5,760	30.9%
20	Sen. Thomas George	116,382	16,125	13.9%	\$27,734,506	\$1,720	7,589	4,758	29.5%
21	Sen. Ron Jelinek	117,168	21,344	18.2%	\$40,100,092	\$1,879	9,734	6,280	29.4%
22	Sen. Valde Garcia	124,471	11,801	9.5%	\$19,263,909	\$1,632	4,257	1,920	16.3%
23	Sen. Gretchen Whitmer	110,655	16,507	14.9%	\$28,761,957	\$1,742	6,702	4,294	26.0%
24	Sen. Patricia Birkholz	126,118	16,377	13.0%	\$28,192,154	\$1,721	6,952	3,790	23.1%
25	Sen. Judson Gilbert II	117,472	15,085	12.8%	\$25,922,766	\$1,718	7,402	3,595	23.8%
26	Sen. Deborah Cherry	128,670	16,438	12.8%	\$29,023,120	\$1,766	7,083	3,794	23.1%
27	Sen. John Gleason	115,610	24,739	21.4%	\$48,565,614	\$1,963	12,354	8,362	33.8%
28	Sen. Mark Jansen	133,140	15,894	11.9%	\$27,823,889	\$1,751	6,065	3,448	21.7%
29	Sen. Bill Hardiman	117,749	20,845	17.7%	\$39,663,852	\$1,903	8,698	5,904	28.3%
30	Sen. Wayne Kuipers	124,600	12,259	9.8%	\$20,701,601	\$1,689	4,618	2,467	20.1%
31	Sen. Jim Barcia	121,007	18,981	15.7%	\$32,865,120	\$1,731	6,833	3,927	20.7%
32	Sen. Roger Kahn	106,479	20,204	19.0%	\$39,148,348	\$1,938	8,761	5,933	29.4%
33	Sen. Alan Cropsey	107,619	15,383	14.3%	\$26,298,744	\$1,710	6,685	3,447	22.4%
34	Sen. Gerald VanWoerkom	117,935	21,806	18.5%	\$40,574,570	\$1,861	9,018	5,712	26.2%
35	Sen. Michelle McManus	113,859	19,743	17.3%	\$34,254,010	\$1,735	7,416	4,472	22.7%
36	Sen. Tony Stamas	115,714	18,167	15.7%	\$31,411,988	\$1,729	5,518	3,414	18.8%
37	Sen. Jason Allen	121,883	17,731	14.5%	\$30,207,078	\$1,704	6,718	3,709	20.9%
38	Sen. Michael Prusi	115,599	17,213	14.9%	\$27,776,680	\$1,614	3,868	2,198	12.8%

Source: Brookings Institution Metropolitan Policy Program

Prepared by Michigan League for Human Services



Statewide and County Impact of the Earned Income Tax Credits (EITCs)

County Name	Federal EITC, TY 2007			Michigan EITC (Estimated)*			
	Number of EITC Returns	Amount added to economy	Average EITC Refund	TY 2008		TY 2009 and Beyond	
				Amount added to economy	Average EITC Refund	Amount added to economy	Average EITC Refund
Michigan	710,185	\$1,402,591,074	\$1,975	\$140,259,107	\$197	\$280,518,215	\$395
Alcona	744	\$1,362,974	\$1,832	\$136,297	\$183	\$272,595	\$366
Alger	589	\$1,001,766	\$1,701	\$100,177	\$170	\$200,353	\$340
Allegan	6,253	\$11,477,763	\$1,836	\$1,147,776	\$184	\$2,295,553	\$367
Alpena	2,290	\$4,042,564	\$1,765	\$404,256	\$177	\$808,513	\$353
Antrim	1,727	\$3,083,299	\$1,785	\$308,330	\$179	\$616,660	\$357
Arenac	1,604	\$2,879,808	\$1,795	\$287,981	\$180	\$575,962	\$359
Baraga	641	\$1,188,347	\$1,854	\$118,835	\$185	\$237,669	\$371
Barry	3,039	\$5,537,940	\$1,822	\$553,794	\$182	\$1,107,588	\$364
Bay	8,210	\$14,779,015	\$1,800	\$1,477,902	\$180	\$2,955,803	\$360
Benzie	1,256	\$2,248,916	\$1,791	\$224,892	\$179	\$449,783	\$358
Berrien	14,226	\$29,036,639	\$2,041	\$2,903,664	\$204	\$5,807,328	\$408
Branch	3,620	\$6,747,437	\$1,864	\$674,744	\$186	\$1,349,487	\$373
Calhoun	11,888	\$23,503,115	\$1,977	\$2,350,312	\$198	\$4,700,623	\$395
Cass	3,357	\$6,229,587	\$1,856	\$622,959	\$186	\$1,245,917	\$371
Charlevoix	2,038	\$3,802,609	\$1,866	\$380,261	\$187	\$760,522	\$373
Cheboygan	2,248	\$4,222,835	\$1,878	\$422,284	\$188	\$844,567	\$376
Chippewa	2,847	\$5,273,968	\$1,852	\$527,397	\$185	\$1,054,794	\$370
Clare	3,001	\$5,616,541	\$1,872	\$561,654	\$187	\$1,123,308	\$374
Clinton	2,576	\$4,559,014	\$1,770	\$455,901	\$177	\$911,803	\$354
Crawford	1,103	\$2,138,066	\$1,938	\$213,807	\$194	\$427,613	\$388
Delta	2,791	\$4,733,325	\$1,696	\$473,333	\$170	\$946,665	\$339
Dickinson	1,880	\$3,288,267	\$1,749	\$328,827	\$175	\$657,653	\$350
Eaton	6,773	\$12,197,373	\$1,801	\$1,219,737	\$180	\$2,439,475	\$360
Emmet	2,501	\$4,430,008	\$1,771	\$443,001	\$177	\$886,002	\$354
Genesee	39,706	\$81,489,797	\$2,052	\$8,148,980	\$205	\$16,297,959	\$410
Gladwin	2,024	\$3,705,718	\$1,831	\$370,572	\$183	\$741,144	\$366
Gogebic	1,202	\$1,997,706	\$1,662	\$199,771	\$166	\$399,541	\$332
Grand Traverse	5,922	\$10,094,275	\$1,705	\$1,009,428	\$170	\$2,018,855	\$341
Gratiot	3,244	\$6,134,727	\$1,891	\$613,473	\$189	\$1,226,945	\$378
Hillsdale	3,479	\$6,595,980	\$1,896	\$659,598	\$190	\$1,319,196	\$379
Houghton	2,286	\$3,720,187	\$1,627	\$372,019	\$163	\$744,037	\$325
Huron	2,501	\$4,323,123	\$1,729	\$432,312	\$173	\$864,625	\$346
Ingham	20,532	\$38,326,040	\$1,867	\$3,832,604	\$187	\$7,665,208	\$373
Ionia	4,182	\$7,655,441	\$1,831	\$765,544	\$183	\$1,531,088	\$366
Iosco	2,163	\$4,002,366	\$1,850	\$400,237	\$185	\$800,473	\$370
Iron	891	\$1,552,501	\$1,742	\$155,250	\$174	\$310,500	\$348
Isabella	3,810	\$6,601,016	\$1,733	\$660,102	\$173	\$1,320,203	\$347
Jackson	11,739	\$22,480,892	\$1,915	\$2,248,089	\$192	\$4,496,178	\$383
Kalamazoo	16,221	\$29,578,865	\$1,823	\$2,957,887	\$182	\$5,915,773	\$365
Kalkaska	1,581	\$3,108,390	\$1,966	\$310,839	\$197	\$621,678	\$393
Kent	42,535	\$81,991,532	\$1,928	\$8,199,153	\$193	\$16,398,306	\$386
Keweenaw	124	\$182,026	\$1,468	\$18,203	\$147	\$36,405	\$294



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County Name	Federal EITC, TY 2007			Michigan EITC (Estimated)*			
	Number of EITC Returns	Amount added to economy	Average EITC Refund	TY 2008		TY 2009 and Beyond	
				Amount added to economy	Average EITC Refund	Amount added to economy	Average EITC Refund
Lake	861	\$1,647,511	\$1,913	\$164,751	\$191	\$329,502	\$383
Lapeer	5,170	\$9,520,455	\$1,841	\$952,046	\$184	\$1,904,091	\$368
Leelanau	849	\$1,333,984	\$1,571	\$133,398	\$157	\$266,797	\$314
Lenawee	6,524	\$11,740,074	\$1,800	\$1,174,007	\$180	\$2,348,015	\$360
Livingston	5,676	\$9,239,812	\$1,628	\$923,981	\$163	\$1,847,962	\$326
Luce	456	\$860,891	\$1,888	\$86,089	\$189	\$172,178	\$378
Mackinac	926	\$1,593,451	\$1,721	\$159,345	\$172	\$318,690	\$344
Macomb	48,949	\$91,234,675	\$1,864	\$9,123,468	\$186	\$18,246,935	\$373
Manistee	1,810	\$3,236,954	\$1,788	\$323,695	\$179	\$647,391	\$358
Marquette	3,962	\$6,261,379	\$1,580	\$626,138	\$158	\$1,252,276	\$316
Mason	2,275	\$4,226,051	\$1,858	\$422,605	\$186	\$845,210	\$372
Mecosta	2,834	\$5,079,364	\$1,792	\$507,936	\$179	\$1,015,873	\$358
Menominee	1,743	\$2,989,482	\$1,715	\$298,948	\$172	\$597,896	\$343
Midland	4,894	\$8,655,461	\$1,769	\$865,546	\$177	\$1,731,092	\$354
Missaukee	1,063	\$2,002,731	\$1,884	\$200,273	\$188	\$400,546	\$377
Monroe	8,564	\$15,748,166	\$1,839	\$1,574,817	\$184	\$3,149,633	\$368
Montcalm	5,176	\$9,652,127	\$1,865	\$965,213	\$186	\$1,930,425	\$373
Montmorency	874	\$1,566,804	\$1,793	\$156,680	\$179	\$313,361	\$359
Muskegon	15,264	\$30,134,086	\$1,974	\$3,013,409	\$197	\$6,026,817	\$395
Newago	3,382	\$6,394,044	\$1,891	\$639,404	\$189	\$1,278,809	\$378
Oakland	56,676	\$101,379,875	\$1,789	\$10,137,988	\$179	\$20,275,975	\$358
Oceana	2,375	\$4,720,219	\$1,987	\$472,022	\$199	\$944,044	\$397
Ogemaw	1,780	\$3,267,385	\$1,836	\$326,739	\$184	\$653,477	\$367
Ontonagon	515	\$729,741	\$1,417	\$72,974	\$142	\$145,948	\$283
Oceola	2,195	\$4,104,390	\$1,870	\$410,439	\$187	\$820,878	\$374
Oscoda	596	\$1,080,650	\$1,813	\$108,065	\$181	\$216,130	\$363
Otesgo	1,993	\$3,820,125	\$1,917	\$382,013	\$192	\$764,025	\$383
Ottawa	12,848	\$23,032,408	\$1,793	\$2,303,241	\$179	\$4,606,482	\$359
Presque Isle	1,063	\$1,860,268	\$1,750	\$186,027	\$175	\$372,054	\$350
Roscommon	2,166	\$3,971,095	\$1,833	\$397,110	\$183	\$794,219	\$367
Saginaw	17,865	\$36,279,713	\$2,031	\$3,627,971	\$203	\$7,255,943	\$406
Saint Clair	11,207	\$20,267,245	\$1,808	\$2,026,725	\$181	\$4,053,449	\$362
Saint Joseph	4,965	\$9,278,384	\$1,869	\$927,838	\$187	\$1,855,677	\$374
Sanilac	3,444	\$6,410,803	\$1,861	\$641,080	\$186	\$1,282,161	\$372
Schoolcraft	642	\$1,210,048	\$1,885	\$121,005	\$188	\$242,010	\$377
Shiawassee	5,204	\$9,578,488	\$1,841	\$957,849	\$184	\$1,915,698	\$368
Tuscola	4,399	\$8,166,719	\$1,856	\$816,672	\$186	\$1,633,344	\$371
Van Buren	6,479	\$12,396,786	\$1,913	\$1,239,679	\$191	\$2,479,357	\$383
Washtenaw	15,227	\$26,971,997	\$1,771	\$2,697,200	\$177	\$5,394,399	\$354
Wayne	182,806	\$418,251,585	\$2,288	\$41,825,159	\$229	\$83,650,317	\$458
Wexford	3,144	\$5,773,890	\$1,836	\$577,389	\$184	\$1,154,778	\$367

* Estimates for TY 2008 are based on 10 percent of the 2007 federal EITC, and for TY 2009 and beyond on 20 percent of the 2007 federal EITC. Because the federal EITC refund amount is increased each year, the actual figures will probably be higher.

Source: Internal Revenue Service, Michigan SPEC Office (2007 Database)

Peter/2007Total&EITCRtnsDollars&AvgbyCount